

Message Text

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TAGS: EEWT, SCUL, CH, US, ETRA

SUBJECT: WEEKLY STATUS REPORT

1. DAEDALUS DENIAL (SECRET)

THE DEPARTMENT OF COMMERCE OFFICIALLY SENT THE DAEDALUS COMPANY A DENIAL OF ITS EXPORT LICENSE APRIL 28, CITING THE RECORDERS' "STRATEGIC APPLICATIONS IN THE FIELDS OF ELECTRONIC SURVEILLANCE AND MONITORING." DAEDALUS' PRESIDENT, ALAN PARKER, WHO SPENT LAST WEEK LOBBYING WITH THE NSC, WHITE HOUSE OSTP, AND STATE, AMONG OTHERS, FINALLY TOOK HIS CASE TO THE PUBLIC. THE DETROIT FREE PRESS, CARRIED THE STORY INITIALLY AND THE NEW YORK TIMES PICKED IT UP TODAY (MAY 9). HODDING CARTER ALSO HAD A
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LONG EXCHANGE OF QUESTIONS AND ANSWERS ON THE CASE TODAY. BILL GLEYSTEN, SCOTT HALLFORD AND I ATTENDED A SPECIAL MEETING LAST WEEK ARRANGED BY THE NSC WITH NSA DIRECTOR ADMIRAL INMAN TO PIN DOWN AS PRECISELY AS POSSIBLE NSA'S CONCERNS. WHILE INMAN IS WORRIED ABOUT PRC ACQUISITION OF THE RECORDERS, HE IS MUCH MORE CONCERNED ABOUT THE SALE SETTING A PRECEDENT IN COCOM FOR THE SOVIET UNION AND IS

PREPARED TO ESCALATE THE MATTER FOR PRESIDENTIAL DETERMINATION OF THE FOREIGN POLICY-SECURITY CONSIDERATIONS.

CONCERNS AT LEAST ABOUT THE COCOM PRECEDENT, BUT THE CASE IS STILL BEING DISCUSSED WITHIN DEFENSE. WE WILL ALSO BE URGENTLY CONSIDERING IT FURTHER WITH NSC AND OSTP. IN THE MEANWHILE, DAEDALUS STILL CAN APPEAL THE CASE.

2. FANG YI REGRETS US INVITATION (LIMITED OFFICIAL USE)

PHIL HANDLER OF THE NATIONAL ACADEMY OF SCIENCES WROTE TO POLITBURO MEMBER FANG YI, WHO IS VICE PRESIDENT OF THE CHINESE ACADEMY, INVITING HIM TO VISIT THE US THIS YEAR. HANDLER HAS RECEIVED A REPLY FROM ONE OF THE CHINESE ACADEMY STAFFERS CLAIMING THAT "BECAUSE OF HIS HEAVY SCHEDULE AS WELL AS FOR OTHER REASONS," FANG CAN NOT ACCEPT THE INVITATION. WE ASSUME THE "OTHER REASONS" ARE THE LACK OF DIPLOMATIC RELATIONS WHICH WOULD MAKE A POLITBURO MEMBER'S VISIT TO THE US A REMARKABLE DEPARTURE FROM PAST CHINESE RELUCTANCE TO HAVE HIGH-RANKING OFFICIALS VISIT.

3. LEGISLATIVE ACTION ON EXIM BANK BILL (UNCLASSIFIED)

ON MAY 9, THE SENATE BANKING COMMITTEE SENT TO THE FLOOR A BILL THAT INCLUDES THE STEVENSON AMENDMENT, WHICH MIGHT
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MAKE THE PRC INELIGIBLE ON HUMAN RIGHTS GROUNDS FOR EXIM BANK CREDITS. MEANWHILE, THE HOUSE IS SCHEDULED TO VOTE ON ITS VERSION OF THE EXIM BANK BILL (WHICH INCLUDES THE AU COIN AMENDMENT) TOMORROW OR THURSDAY. WHEN THE BILL IS TAKEN UP, CONGRESSWOMAN MILLICENT FENWICK WILL ATTEMPT TO STRIKE FROM THE BILL THOSE PROVISIONS NOMINALLY BENEFITTING THE PRC.

4. CHEMICAL FIBRE DELEGATION ARRIVES (LIMITED OFFICIAL USE)

THE PRC'S PETROCHEMICAL FIBRE DELEGATION, WITH VICE MINISTER OF PLANNING KU HSIU-LIEN ALONG AS "SENIOR ADVISOR," ARRIVED MAY 7. THE NATIONAL COUNCIL FOR US-CHINA TRADE HOSTED A BANQUET FOR THE DELEGATION LAST NIGHT AND PRCLC HOSTS THE RETURN BANQUET THIS EVENING. THE DELEGATION LEAVES WASHINGTON TOMORROW (MAY 10) TO VISIT PETROCHEMICAL AND FIBRE PLANTS IN THE MID-WEST, SOUTH AND WEST, BEFORE DEPARTING FROM SAN FRANCISCO MAY 28.

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